

NEW MEXICO BUSINESS

CURRENT ECONOMIC REPORT

Vol. 7 No. 11
December 1986

1986 Economic Review and Outlook for the New Mexico Economy in 1987

The U.S. economy during 1986 continued to be characterized by both strong increases in domestic spending, particularly consumer spending, and weak growth in domestic production. The large gap between domestic spending and production was filled by sharp increases in foreign imports. Overall, real GNP growth of 2.6 percent in 1986 about matched the sub-par rate of 1985.

The national economic performance during 1986 was disappointing. Sharp declines in energy prices, the accompanying mild inflation, the lowest interest rates in seven years and the declining dollar exchange rate were all expected to provide a powerful stimulus to the economy. Falling energy prices did boost real disposable income and contributed to a surge in consumer spending. However, falling energy prices also meant severe, negative consequences for the U.S. oil and gas industry where over 130,000 jobs were lost and expenditures for exploration activity plummeted.

Lower interest rates did provide some initial stimulus to the U.S. single family housing industry which experienced a good year in 1986. However, multi-family housing construction weakened in the face of a nationwide surplus of apartment units and the less favorable tax advantages under the new tax reform bill. The falling foreign exchange rate of the dollar did little to stimulate the domestic export industries, primarily because imports continue to flood the U.S. from Far East countries whose exchange rates have remained stable relative to the dollar.

The outlook in 1987 for the U.S. economy is for more of the same—an economy expanding at a sub-par 2.6 percent pace in a mild inflationary environment. Consumer spending is expected to increase at a slightly slower pace, while housing construction activity will be flat. Gains in single family housing will offset expected declines in apartment construction. Business investment expenditures are projected to fall slightly, responding to the negative effects of tax reform and current excess capacity. Federal government spending will also decline slightly in real terms, the beginning of an emerging trend necessary to achieve federal budget deficit reduction targets. Offsetting the expected decline in business and government spending will be strong growth in the volume of exports, as the falling dollar finally brings relief to the domestic export industries.

The New Mexico economy during 1986 in many ways mir-

rored events at the national level. Massive layoffs in the state's oil and gas industry and an end to Albuquerque's construction boom held back overall growth in the New Mexico economy during 1986. After having increased 3.1 percent in 1985, New Mexico nonagricultural employment growth is expected to average only 1.0 percent for all of 1986. The state economy, however, was weakening as the year progressed so that by September, 1986 employment growth had slowed to only 0.46 percent. New Mexico personal income in the first half of 1986 increased only at a 4.3 percent annual rate—one-third off the 6.7 percent pace of 1985.

Since January 4, 300 jobs have been lost in New Mexico's oil and gas industry—a dramatic 33.0 percent decline—as the New Mexico economy experienced immediate, negative consequences of sharply lower petroleum prices. Another 700 jobs were lost in early 1986 when MolyCorp's molybdenum mine shut down in Taos county. After having increased at an unprecedented 16.5 percent average annual rate since 1983, Albuquerque construction employment levels began to fall slightly by the summer of 1986. Overbuilding is evident among the city's apartments, office buildings, hotels and retail development.

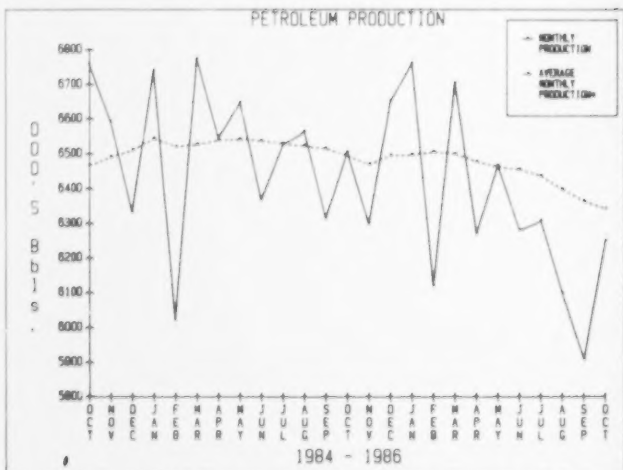
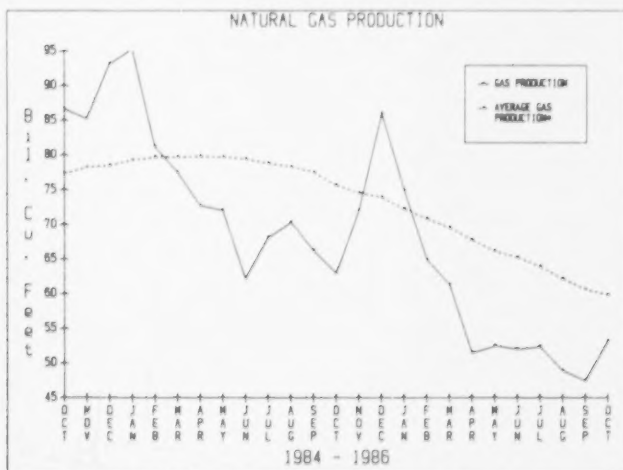
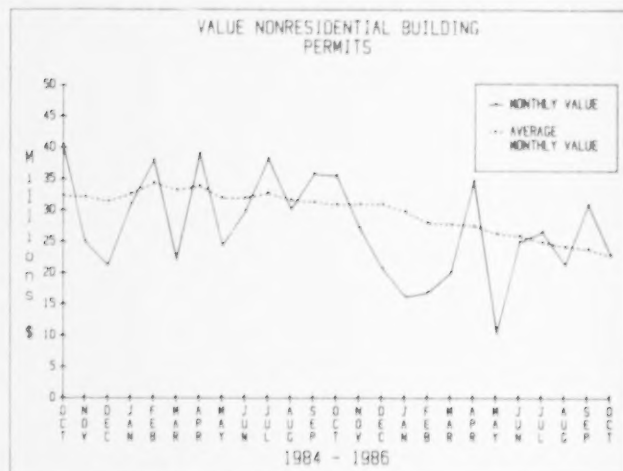
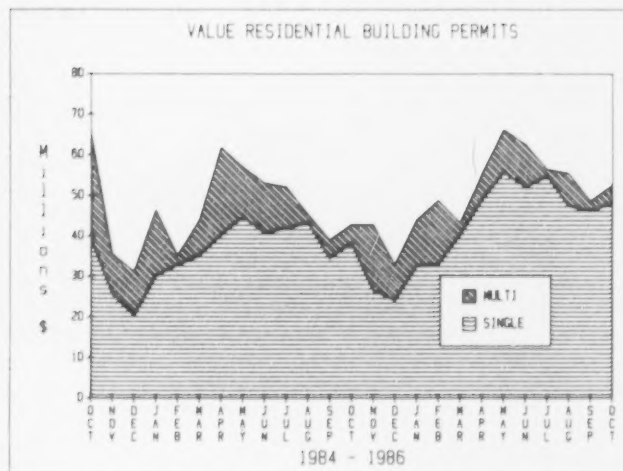
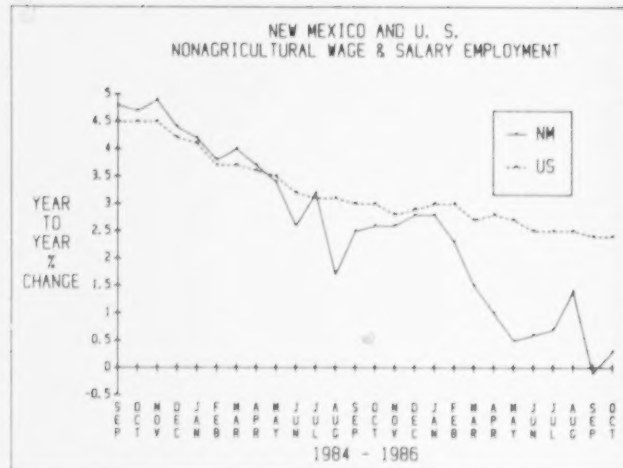
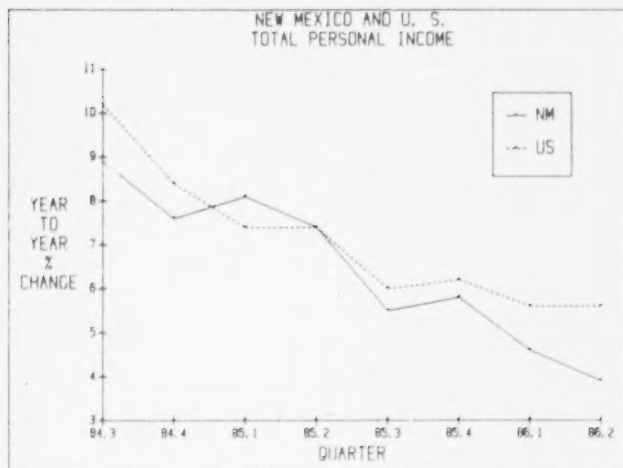
Strength in the New Mexico economy in 1986 was concentrated in retail trade and services where employment grew 5.2 percent and 3.3 percent, respectively. These sectors responded to strong consumer spending, which was boosted by the positive impact of falling energy prices and mild inflation on the purchasing power of disposable income. Single family housing construction also had a good year, aided by the lowest mortgage interest rates in seven years.

New Mexico's large government sector has experienced very modest growth since 1980, and 1986 was no exception. Total government employment is estimated to have increased only 1.2 percent in 1986, as all levels of government—federal, state and local—suffered fiscal constraints. In particular, oil and gas revenues to the state general fund have fallen from \$385 million in FY 81-82 to only \$163 million in the current fiscal year. During the regular and special sessions in 1986, the Legislature increased gross receipts and income taxes by \$202 million to replace the falling oil and gas revenues.

The Albuquerque economy continues to outperform the rest of the state, but the city's growth has clearly slowed in 1986.

(Continued on Page 8)

ECONOMIC TRENDS IN NEW MEXICO



*12 month moving average. For example, the point for August, 1986 represents an average of data from September, 1985 through August, 1986.

U.S. ECONOMIC INDICATORS

	CURRENT MO/QTR	DATA	% CHANGE YEAR AGO	PREVIOUS MO/ QTR DATA
Consumer price index				
All urban consumers (1967=100)				
All items	Oct 86	330.5	1.5	330.2
Food and beverages	Oct 86	315.6	4.3	315.1
Housing	Oct 86	363.0	2.4	363.7
Apparel and upkeep	Oct 86	213.2	1.0	212.1
Transportation	Oct 86	302.6	-5.7	302.2
Medical care	Oct 86	442.3	7.7	439.7
Entertainment	Oct 86	276.5	3.0	275.3
Other goods and services	Oct 86	354.6	5.9	353.3
Revised series, wage earners and clerical workers (1967=100)				
All items	Oct 86	325.0	1.2	324.9
Gross national product* (\$Bil. constant)				
	III 86	3687.3	2.4	3661.4
Prime interest rate** (% per annum)	Nov 86	7.5	-21.0	7.5
Mortgage interest rate*** (% per annum)	Oct 86	10.0	-9.5	10.2
3 month treasury bill# (% per annum)	Nov 86	5.3	-25.6	5.2
Industrial production### (1977=100)	Oct 86	125.2	1.3	125.2
Manufacturers new orders### (\$Bil.)	Sep 86	199.4	1.1	192.8

NEW MEXICO AND U.S. COMPARISONS

	NEW MEXICO				UNITED STATES		
	CURRENT MO/QTR	CURRENT MO/QTR DATA	% CHANGE YEAR AGO	PREVIOUS MO/QTR DATA	CURRENT MO/QTR DATA	% CHANGE YEAR AGO	PREVIOUS MO/QTR DATA
Employment (000)	Oct 86	622.3	3.6	615.9	110,857	2.3	110,229
Unemployment rate (%)	Oct 86	8.8	3.6	9.0	6.5	-4.4	6.7
Nonagricultural employment (000)	Oct 86	527.0	0.4	524.6	101,514	2.4	100,977
Personal income### (\$Mil.)	II 86	16,394	4.0	16,300	3,479,582	5.7	3,430,034
Housing units permitted							
Single	Oct 86	713	16.6	690	92,388	4.1	93,417
Multi	Oct 86	192	1.1	103	42,949	-37.9	58,512

 Note: Selected data items subject to revision.

N Not available.

* 1982 dollars at seasonally adjusted annual rates.

** Closing rate for month.

*** Effective rate (in the primary market) on conventional mortgages, reflecting fees and charges as well as contract rate and assumed, on the average, repayment at end of 10 years.

Rate on new issues within period; bank discount basis.

Monthly data seasonally adjusted.

Quarterly data seasonally adjusted at annual rates.

Sources: U. S. Department of Labor, News: CPI data;
 New Mexico Employment Security Department and U. S. Bureau of Labor Statistics: employment and unemployment data;
 U. S. Department of Commerce, Bureau of Economic Analysis: income data;
 U. S. Department of Commerce, Bureau of the Census: construction data;
 U. S. Council of Economic Advisors, Economic Indicators: all other data.

NEW MEXICO ECONOMIC INDICATORS

		CURRENT MO/QTR DATA	% CHANGE YEAR AGO	PREVIOUS MO/QTR DATA	% CHANGE # 12 MONTH AVERAGES
1. GENERAL					
Civilian labor force* (000)	Oct 86	682.4	4.0	676.7	4.0
Total employment* (000)	Oct 86	622.3	3.6	615.9	3.5
Unemployment* (000)	Oct 86	60.1	7.9	60.8	9.4
Unemployment rate (%)	Oct 86	8.8	3.6	9.0	4.6
Weekly new unemployment insurance claims	Oct 86	1878.0	15.5	1573.0	20.8
Nonagricultural wage/salary employment** (000)	Oct 86	527.0	0.4	524.6	1.4
New business incorporations	Aug 86	184.0	-26.9	194.0	-13.2
Personal income*** (\$ mil.)	II 86	16394.0	4.0	16300.0	5.0
2. AGRICULTURAL RECEIPTS					
Livestock and products (\$ mil.)	Aug 86	45.9	5.6	42.6	-1.8
Crops (\$ mil.)	Aug 86	31.2	-17.6	33.7	-14.4
Total (\$ mil.)	Aug 86	77.1	-5.2	76.3	-6.1
3. MINING					
Employment** (000)	Oct 86	14.8	-26.7	14.7	-20.8
Average hourly earnings (\$)	Oct 86	11.74	-1.7	12.58	5.1
Petroleum production (000 bbls.)	Oct 86	6249.4	-3.9	5905.6	-2.3
Natural gas production (bil. cu. ft.)	Oct 86	53.2	-15.4	47.4	-20.9
Coal production (000 short tons)	Oct 86	2267.0	28.0	1710.0	-15.3
Oil well completions&	Oct 86	37.0	-58.8	38.0	-22.0
Gas well completions&	Oct 86	18.0	-83.9	7.0	-36.2
Total footage drilled&& (000)	Oct 86	377.5	-66.8	309.5	-24.6
Oil sales (\$ mil.)	Aug 86	69.5	-55.8	68.4	-28.9
Gas sales (\$ mil.)	Aug 86	74.8	-58.2	81.4	-34.9
4. CONSTRUCTION					
Employment** (000)	Oct 86	37.1	-1.3	38.1	-1.1
Average hourly earnings (\$)	Oct 86	10.56	-1.1	10.80	1.9
Residential units permitted	Oct 86	905.0	12.9	793.0	3.0
Residential building permits (\$ mil.)	Oct 86	52.5	22.4	48.6	12.0
Nonresidential building permits (\$ mil.)	Oct 86	22.8	-35.7	30.9	-26.3
Residential construction contracts (\$ mil.)	Oct 86	62.6	3.0	67.4	-5.9
Nonresidential construction contracts (\$ mil.)	Oct 86	57.3	-35.7	65.8	-16.5
Nonbuilding construction contracts (\$ mil.)	Oct 86	41.3	-23.3	43.7	0.5
5. TRANSPORTATION/COMMUNICATION/UTILITIES					
Employment** (000)	Oct 86	28.5	-4.9	28.0	-4.9
Average hourly earnings### (\$)	Oct 86	11.09	-1.0	13.14	5.5
6. MANUFACTURING					
Employment** (000)	Oct 86	38.5	1.4	38.3	0.6
Average hourly earnings (\$)	Oct 86	8.54	2.1	8.75	3.6
Electric & electronic equipment employment** (000)	Oct 86	6.9	6.2	6.8	-0.7
Transportation equipment employment** (000)	Oct 86	4.1	-2.3	4.0	5.2
Food & kindred products employment** (000)	Oct 86	5.4	12.6	5.3	4.8
Textile & apparel employment** (000)	Oct 86	2.4	0.0	2.4	0.0
Lumber & wood products employment** (000)	Oct 86	2.7	3.9	2.8	4.0

NEW MEXICO ECONOMIC INDICATORS (continued)

	MO/QTR	CURRENT DATA	% CHANGE YEAR AGO	PREVIOUS MO/QTR DATA	% CHANGE 12 MONTH AVERAGES
7. TRADE					
Wholesale employment** (000)	Oct 86	22.8	-2.1	22.6	0.0
Retail employment** (000)	Oct 86	106.7	3.7	107.1	6.2
Average hourly earnings (\$)	Oct 86	6.79	4.7	6.89	1.5
8. FINANCE/INSURANCE/REAL ESTATE					
Employment** (000)	Oct 86	26.4	4.0	26.4	2.4
Bank average hourly earnings (\$)	Oct 86	5.88	8.3	5.76	3.7
Bank total assets (\$ mil.)	1 86	9401.8	5.3	9375.7	6.2
Bank total deposits (\$ mil.)	1 86	8128.4	4.5	8091.9	6.9
Bank gross loans (\$ mil.)	1 86	5565.8	3.7	5552.1	7.2
S & L total assets (\$ mil.)	Oct 86	5528.9	14.7	5499.6	15.1
S & L total deposits (\$ mil.)	Oct 86	4429.0	10.0	4378.5	13.3
S & L new mortgage loans closed ~~***~~ (\$ mil.)	Oct 86	177.9	49.8	164.8	13.1
9. SERVICES AND TOURISM					
Total service employment** (000)	Oct 86	116.0	2.0	116.5	4.0
Lodging employment** (000)	Oct 86	12.5	6.9	12.8	11.0
Eating & drinking places employment** (000)	Oct 86	37.2	4.3	38.0	4.9
Visits to state parks (000)	Aug 86	974.1	21.7	1112.2	20.8
Visits to national parks/monuments (000)	Sep 86	138.1	0.0	294.7	14.0
Passenger traffic at Albuquerque airport ~~®~~ (000)	Oct 86	370.2	6.0	323.1	7.8
Lodgers tax receipts (\$ 000)	111 86	2262.0	9.1	1713.5	4
Lodging occupancy rates (%)	Oct 86	62.6	-16.3	63.8	-11.5
10. GOVERNMENT					
Total government employment** (000)	Oct 86	136.2	1.5	132.9	1.6
Federal employment** (000)	Oct 86	29.3	0.7	29.4	-1.6
State employment** ~~®®~~ (000)	Oct 86	48.8	0.7	46.9	3.1
Local employment** (000)	Oct 86	58.1	2.7	56.6	2.2
Total general fund revenues ~~®®®~~ (\$ mil.)	Sep 86	116.8	28.3	127.4	9.6

Note: selected data items subject to revision.

N Not available.

* Number of persons by place of residence.

** Number of jobs by place of work.

*** Quarterly data seasonally adjusted at annual rates.

& These include wells that are in the following categories: new drillings, deepened, plugged back, reentry and additional zone.

Oil and gas combined.

*** New mortgage loans closed equals the previously carried item "Total loans closed" plus a relatively insignificant additional loan category.

For example, in the report that contained June 1985 figures this would be the percent change in the average of July 1983 to June 1984 data versus the average of July 1984 to June 1985 data.

Communications and utilities only.

® Passenger traffic includes enplanements and deplanements.

®® This figure includes full and part time employment at Los Alamos National Laboratories (LANL). Full time employment alone at LANL is 7,955 as of AUGUST 1986 according to U. S. Dept. of Energy, Public Affairs.

®®® Includes recurring and non-recurring revenues.

Sources: New Mexico Employment Security Dept.: Sections 1, 3, 4, 5, 6, 7, 8, 9, 10;

Dun and Bradstreet, Inc.: Section 1;

U. S. Dept. of Commerce, Bureau of Economic Analysis: Section 1;

USDA Statistical Reporting Service: Section 2;

New Mexico Energy and Minerals Dept., Oil and Gas Conservation Division: Section 3;

New Mexico Taxation and Revenue Dept., Oil and Gas Accounting Division: Section 3;

U. S. Dept. of Energy, Energy Information Administration: Section 3;

U. S. Dept. of Commerce, Bureau of the Census: Section 4;

F. W. Dodge Company (a division of McGraw Hill, Inc.): Section 4;

U. S. Federal Reserve: Section 8;

Federal Home Loan Bank of Dallas: Section 8;

New Mexico Natural Resources Dept., Parks and Recreation Division: Section 9;

U. S. National Park Service: Section 9;

City of Albuquerque, Albuquerque International Airport: Section 9;

New Mexico Dept. of Finance and Administration, Local Government Division: Section 9;

Parnell, Kerr and Forster: Section 9;

New Mexico Dept. of Finance and Administration: Section 10.

CITIES, COUNTIES AND FEATURES

GROSS RECEIPTS[#] FROM RETAIL TRADE
TOP 20 CITIES
(\$000)

	CURRENT 1 MONTH AVERAGE* AUG-OCT	% CHANGE AVERAGE YEAR AGO	PREVIOUS 3 MONTH AVERAGE* MAY-JUL
Alamogordo	\$ 13,324	-4.0	\$ 13,521
Albuquerque	223,401	-1.6	216,451
Artesia	4,902	-17.4	4,666
Carlsbad	12,000	-7.9	12,940
Clovis	16,109	7.5	16,671
Deming	4,635	3.4	4,660
Espanola	7,419	1.7	7,213
Farmington	25,270	-13.2	27,586
Gallup	21,967	6.1	20,874
Hobbs	15,022	-29.5	16,257
Las Cruces	32,460	1.0	31,535
Las Vegas	5,657	-4.9	5,811
Los Alamos	6,107	-1.9	6,282
Lovington	1,238	-28.4	1,500
Portales	6,504	3.8	6,026
Roswell	18,824	3.4	18,399
Ruidoso *	6,728	-3.5	5,551
Santa Fe	49,090	2.9	43,343
Silver City	6,666	-16.0	6,818
Taos	7,777	-1.0	6,402
State total	608,305	-4.2	620,368

Gross receipts reported are for gross receipts tax purposes, which do not include all the receipts of all firms.
* Averages are used to smooth out fluctuations in the data, which are not caused by changes in economic conditions.

Source: New Mexico Taxation and Revenue Department.

NEW MEXICO CONSTRUCTION
SELECTED CITIES

	NUMBER OF BUILDING UNITS OR PERMITS *				VALUE OF BUILDING PERMITS (\$000)			
	OCT. 1986	OCT. 1985	CUMULATIVE TOTAL THROUGH OCT. 1986	OCT. 1985	OCT. 1986	OCT. 1985	CUMULATIVE TOTAL THROUGH OCT. 1986	OCT. 1985
RESIDENTIAL**								
Alamogordo	19	19	265	213	\$ 799	\$ 869	\$ 11,878	\$ 9,606
Albuquerque	342	223	4,902	4,255	17,690	12,151	213,094	176,288
Carlsbad	6	8	76	66	217	320	3,865	3,213
Clovis	12	28	142	130	782	959	8,006	6,982
Farmington	9	13	83	118	466	460	3,492	4,252
Hobbs	2	1	30	34	95	90	1,478	2,291
Las Cruces	61	33	468	537	2,688	1,673	23,863	23,687
Los Alamos	9	21	62	105	969	1,035	8,001	9,037
Rio Rancho***	80	140	1,098	1,205	4,619	7,528	55,840	67,653
Roswell	2	7	93	96	143	394	3,786	5,230
Ruidoso	9	9	135	120	818	602	7,483	9,093
Santa Fe	60	110	558	545	4,081	4,241	25,778	25,374
NONRESIDENTIAL†								
Alamogordo	5	40	87	134	1	175	2,151	2,169
Albuquerque	3	21	41	294	3,664	11,339	58,095	116,031
Carlsbad	16	18	98	222	736	43	1,993	2,773
Clovis	11	7	43	66	252	101	3,438	4,987
Farmington	2	8	21	34	431	1,231	3,626	2,992
Hobbs	0	1	12	10	0	25	1,682	1,775
Las Cruces	12	14	176	199	2,014	243	15,553	17,254
Los Alamos	8	7	75	50	306	128	4,235	399
Rio Rancho***	1	4	29	30	287	1,581	11,387	9,410
Roswell	7	13	96	186	66	19	1,663	1,417
Ruidoso	0	7	12	70	0	295	1,428	6,308
Santa Fe	4	16	72	140	698	4,496	11,727	24,106

Note: Top twelve cities chosen on basis of residential construction activity during the period 1982 through 1984.
† 1985 data is revised.

* Residential data shows the number of permitted units, while nonresidential data shows the number of permits.
** Residential data includes both single and multi family units.

*** AMREP Southwest, Inc. reported Rio Rancho data.

Sources: AMREP Southwest, Inc.; Rio Rancho only;
U. S. Department of Commerce, Bureau of the Census: all others.

CITIES, COUNTIES AND FEATURES (continued)

ESTIMATED CIVILIAN LABOR FORCE AND EMPLOYMENT
[000]

	NEW MEXICO			ALBUQUERQUE MSA*			LAS CRUCES MSA**			SANTA FE MSA***		
	% CHANGE			% CHANGE			% CHANGE			% CHANGE		
	OCT. p	YEAR AGO	SEPT. r	OCT. p	YEAR AGO	SEPT. r	OCT. p	YEAR AGO	SEPT. r	OCT. p	YEAR AGO	SEPT. r
TOTAL CIVILIAN LABOR FORCE	682.4	4.0	676.7	259.8	6.0	255.0	57.4	10.6	56.0	62.7	4.5	62.9
Employment@	622.1	3.6	615.9	242.7	6.0	238.5	51.5	12.4	51.8	59.4	4.4	59.6
Unemployment	60.1	7.9	60.8	17.1	5.6	16.5	5.9	-9.3	4.2	3.3	6.5	3.2
Unemployment rate (%)	8.8	3.6	9.0	6.6	0.0	6.5	6.8	-18.0	7.6	5.3	2.0	5.1
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT	527.0	0.4	524.6	227.5	2.0	226.1	40.5	8.9	39.5	51.1	0.2	51.2
Mining	14.8	-26.7	14.7	0.3	0.0	0.3	0.0	N	0.0	0.1	-49.9	0.1
Contract construction	37.1	-1.3	38.1	18.2	-3.1	18.3	2.8	12.0	2.9	3.6	0.0	3.6
Manufacturing	38.5	1.4	38.3	19.5	-0.5	19.6	3.6	2.9	3.5	1.6	-5.8	1.6
Durable goods	24.4	0.5	24.3	13.8	1.5	13.9	3.3	8.4	7.4	3.0	0.0	3.0
Nondurable goods	14.1	3.0	14.0	5.7	-4.9	5.7	2.3	0.0	2.1	0.6	-14.2	0.6
Transportation & public utilities	28.5	-8.9	28.0	12.1	0.9	12.2	1.5	0.0	1.5	1.1	0.0	1.1
Trade	129.5	2.7	129.7	58.3	1.8	58.3	8.3	6.5	8.2	10.1	2.1	10.2
Wholesale	22.8	-2.1	22.6	14.1	-1.3	14.0	0.8	-11.1	0.8	0.7	0.0	0.7
Retail	106.7	3.7	107.1	44.2	2.8	44.3	7.5	8.7	7.4	9.4	2.2	9.5
Finance, insurance, & real estate	26.4	8.0	26.4	13.8	2.3	13.8	1.7	6.3	1.7	2.1	5.0	2.1
Services	116.0	2.0	116.5	59.0	2.8	58.7	5.8	5.5	59.6	12.8	4.1	13.2
Government	136.2	1.5	132.9	46.1	6.6	44.9	16.9	7.7	16.2	19.8	-2.4	19.4
Federal	29.3	0.7	29.4	12.8	4.1	12.9	4.7	0.0	4.7	3.5	0.0	3.5
State	48.8	0.7	46.9	13.9	6.6	13.1	7.3	21.7	6.7	14.9	-1.3	14.7
Local	58.1	2.7	56.6	19.4	4.9	18.9	4.9	-1.9	4.8	3.4	-8.3	3.2

N Not available, less than 50 jobs.

p Preliminary.

r Revised.

* Bernalillo County.

** Dona Ana County.

*** Santa Fe and Los Alamos Counties.

@ Includes labor disputes.

Source: New Mexico Employment Security Department.

AVERAGE ANNUAL PAY*
SOUTHWEST AND ROCKY MOUNTAIN REGION

	1984	1985p	% CHANGE 1984-1985	NATIONAL RANK# 1985
SOUTHWEST				
Arizona	\$17,349	\$18,037	4.0	23
New Mexico	16,426	16,989	3.4	11
Oklahoma	17,612	18,196	3.3	20
Texas	18,860	19,616	4.0	9
ROCKY MOUNTAIN				
Colorado	\$18,797	\$19,569	4.1	10
Idaho	15,793	16,353	3.5	38
Montana	15,560	15,932	2.4	43
Utah	17,174	17,577	2.3	28
Wyoming	18,318	18,950	3.4	13
U. S. AVERAGE	\$18,353	\$19,186	4.5	N

AVERAGE ANNUAL PAY*
SELECTED WESTERN MSAs**

	1984	1985p	% CHANGE 1984-85	RANK# BY 1985 AVERAGE ANNUAL PAY	RANK# BY % CHANGE 1984-85
Albuquerque	\$17,227	\$17,980	4.4	130	125
Amarillo	16,966	17,467	3.0	149	224
Austin	17,626	18,542	5.2	105	62
Colorado Springs	16,615	17,517	5.4	161	95
El Paso	14,761	15,474	4.8	262	86
Las Cruces	15,196	15,537	2.2	260	267
Salt Lake City-Ogden	17,632	17,999	2.1	128	272
Santa Fe	15,744	16,370	4.0	226	160
Tucson	16,940	17,351	2.4	121	262

N Not applicable.

p Preliminary.

* Includes workers covered by Unemployment Insurance (UI) and Unemployment Compensation for Federal Employees (UCFE) programs.

** Percent changes were computed from unrounded average annual pay data and may differ from those computed using data rounded to the nearest dollar.

These are rankings out of fifty states. In other words, the District of Columbia is excluded.

Includes data for Metropolitan Statistical Areas as of June 30, 1985.

@ Based on 305 areas.

Source: U. S. Dept. of Labor, Bureau of Labor Statistics.

1986 Economic Review

(Continued from Page 1)

Over the last three years Albuquerque has enjoyed a prosperous economy with nonagricultural employment growth of 4.7, 6.9 and 5.4 percent, respectively in 1983, 1984 and 1985. However, Albuquerque employment growth is expected to average only 2.4 percent for all of 1986. The city's economy, too, continued to weaken as the year progressed with nonagricultural employment growing at only a 1.2 percent annual rate in September, 1986. This reduced pace of growth has shown up quickly in the unexpected slowdown in the City of Albuquerque's gross receipts tax collections.

For the last eighteen months growth within Albuquerque has been unbalanced, concentrated in retail trade, services and construction. Other sectors important to sustainable, long term growth—manufacturing and government—have experienced very modest growth by comparison. The city's construction sector is now in a slight decline, as mentioned above, and slower growth is evident in what had until now been rapidly expanding trade and services sectors.

The outlook for the New Mexico economy is not a rosy one—an economy primarily based upon the extractive industries and federal government spending. Since 1981 New Mexico has lost one-half of the employment in its mining sector—16,000 jobs—and it is unlikely that the extractive industries will see any recovery in the balance of this decade.

Federal military spending, particularly for SDI at Sandia Labs and Los Alamos, has been a recent prop to state and city economic growth. However, the recently approved federal budget for FY 87 calls for a slight decline in real federal spending—the emergence of a trend necessary to achieve federal budget deficit reduction targets. Thus, it is unlikely that federal

expenditures will be a source of future growth for the New Mexico economy.

New Mexico's small manufacturing sector is expected to remain stagnant in 1987, following closely manufacturing trends at the national level where an industrial recovery is still not in sight due to the strong inroads of foreign producers. Albuquerque's semiconductor industry will likely see little gains in employment in 1987 because of the weak prospects for business spending for computers and electrical equipment. Current low capacity utilization and the negative effects of tax reform are expected to restrain business investment expenditures in 1987.

New Mexico nonagricultural employment is expected to decline slightly in 1987, falling 0.3 percent. The worst seems to be over for the state's oil and gas industry, but the state's economy will continue to adjust to the loss of 4,300 oil and gas jobs, with the negative, indirect effects felt principally in the trade and services sectors. The New Mexico unemployment rate, which is expected to average 9.3 percent in 1986, is projected to rise to 10.1 percent in 1987.

Albuquerque's economy will do somewhat better in 1987, but not by much. Compared to the recent pace of growth, the city's economy in 1987 will be downright sluggish. Albuquerque nonagricultural employment is expected to increase only 0.8 percent in 1987, with projected small employment losses in manufacturing and government and very modest gains in trade and services. Albuquerque, as a regional trade and service center for the state, will feel some of the indirect effects of the oil and gas layoffs. But the slower growth for the city is principally traced to the end of the construction boom, diminished prospects for federal spending and the unsustainable nature of the recent pattern of growth.

Brian McDonald, Director

Bureau of Business and Economic Research

Institute for Applied Research Services
The University of New Mexico
Albuquerque, NM 87131
(505) 277-2216

NON-PROFIT ORGANIZATION
U.S. POSTAGE
PAID
ALBUQUERQUE, N.M.
PERMIT NO. 962

ED KIANKA
CONGRESSIONAL INFO. SER.
SRI ACQUISITIONS
SUITE 800
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

Subscription Price \$15.00 per year.
Single Copies \$1.85